

## Setting Up Your AIP

How do you decide what kind of account to set up for your AIP? This is your ten-percent pay-yourself-first money, but what should you do with it? Follow these guidelines, based on your level of budget and expertise.

- **Option 1:** If you are limited by budget and experience, open a ROTH-IRA with a company like American Century. They and many others allow \$50 to \$100 a month to start. Over time, you can increase what you put in. Later, you can roll over the ROTH-IRA into another investment. (If you cannot set aside even \$50 to \$100 a month to open a ROTH-IRA, for now start a savings account and build that up. The important thing is to start now doing something, and to do it routinely.)
- **Option 2:** If you don't have a lot of time and/ or experience, but have a little more money to dedicate, go with a long-term proven product: the Vanguard US Index 500 (see [www.vanguard.com](http://www.vanguard.com)). This product out-performs nearly 70 percent of other funds year-in and year-out. Over a ten-year period, it out-performs by 90 percent.
- **Option 3:** If you have experience and already pick your own stocks and mutual funds, you may have a top broker who has given you proven results. If so, stay there. If not, shop costs and services on the Internet. If you are at this level, you may wish to work with a broker or you may wish to do it yourself and save the fees. In any case, formalize your commitment to routinely paying yourself this ten percent of your income by setting up a designated AIP account, on your own or with a broker.
- **Option 4:** If you are very experienced and manage your own investing and/ or have a five-percent-type broker who assists you with decisions, look for a company that provides extremely low transaction costs for active investors. If you do it yourself, make sure you are with one of these. Don't fall into the trap of staying with a full-service broker if you are doing the work. Remember: it is imperative that your AIP account is separate from your other investments and that your contribution occurs monthly. At this level, many people invest in real estate. That's great, but still make sure you have your AIP money separate from all your other investments.
- **Option 5:** If you are an active investor (investing for a living) or if you are a major investor, keep doing what you do. But don't fall into the trap of thinking you don't need to follow the rules and can avoid setting up an AIP. Establish a separate account (for discipline and for asset protection), such as a LLC (limited liability company). Fund it, with regular contributions monthly. Do what you do already, just in this separate account, your AIP account. Do NOT be foolish and think you are above the rules that wealthy people follow. Have the discipline, foresight and wisdom to set up the AIP.